

Interim Results - 2018

Statement of unaudited financial results for Real Estate Investments Zambia PLC and its subsidiaries (“the Group”) for the six months ended 30 June 2018

In compliance with the requirements of the Securities (Registration of Securities) Rules, 1993, and the listing rules of the Lusaka Securities Exchange, Real Estate Investments Zambia PLC announces the financial results of the Company and its subsidiaries (collectively referred to as the Group) for the six months ended 30 June 2018. These interim financial results are derived from the Group’s Management Accounts, which have been approved by the Directors, but have not been audited.

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months to 30.06.18 K’ 000	Six months to 30.06.17 K’ 000
Revenue	28,069	36,594
Profit before other income, finance cost and tax	17,862	27,375
Change in fair value of investment property	1,933	1,987
Other operating income	-	20
Results from operations	19,795	29,382
Net finance cost	(5,533)	(4,555)
Exchange gain	1,861	4,770
Profit before tax	16,123	29,597
Tax expense	(3,518)	(4,648)
Profit after tax	12,605	24,949
Dividend on Ordinary shares (kwacha per share)		
- Interim	-	0.10
Headline Earnings per share (on profit before other income, finance cost and tax):	0.32	0.48
Earnings per share after tax:	0.22	0.44
Weighted average number of ordinary shares	56,460,198	56,460,198

ABRIDGED STATEMENT OF FINANCIAL POSITION

Assets		
Plant and equipment	1,475	2,244
Investment property	859,086	807,253
Investment property under development	90,510	36,207
Lease straight-lining receivable	13,587	7,140
Current assets	39,409	85,977
Total assets	1,004,067	938,821
Equity and liabilities		
Total equity	809,468	809,768
Non-current liabilities	182,908	118,933
Current liabilities	11,691	10,120
Total equity and liabilities	1,004,067	938,821

ABRIDGED STATEMENT OF CHANGES IN EQUITY

Balance at beginning of the period	804,202	792,158
Profit for the period	12,605	24,949
	816,807	817,107
Dividend paid	(7,339)	(7,339)
Total equity	809,468	809,768

ABRIDGED STATEMENT OF CASH FLOWS

Net cash from operating activities	4,825	18,109
Net cash used in investing activities	(85,551)	(10,862)
Net cash used in financing activities	13,238	(13,282)
Net decrease in cash and cash equivalents	(67,488)	(6,035)
Cash and cash equivalents at beginning of the period	79,430	78,471
Effect of exchange rate fluctuations on cash held	1,273	(4,160)
Cash and cash equivalents at end of the period	13,215	68,276

GROUP PERFORMANCE

The reported revenue for the six months ended 30 June 2018 declined by 23% compared to the same period in 2017. This reduction is primarily attributable to the impact of rental remissions granted to tenants at Arcades shopping mall as a goodwill and gratuitous gesture for staying committed to Arcades during the redevelopment period. The Market will recall that a good portion of the car park was hoarded off and some shops closed during the redevelopment.

There was no significant change in costs serve for inflationary increases whose overall effect was limited by the positive impact of the Group’s cost containment measures. Consequent to the revenue reduction, the Group’s profit before other income, finance cost and tax declined by 34.75%.

Arcades Shopping Mall

The refurbishment and redevelopment of Arcades was strategically decided in order to increase lettable space, provide a facelift and achieve efficient distribution of foot traffic to the Mall. The Board is pleased to advise that construction works at Arcades were successfully completed during the second quarter of the year and tenants are currently taking up occupation of spaces in the newly refurbished mall in preparation for an official launch at a date to be advised in due course. The completion of redevelopment works and letting out of the new space will positively impact the Group’s earnings for the remainder of the financial year and beyond.

Southview Park

During the second quarter, the Group successfully concluded the purchase of Southview Park, a housing complex situated in Lilayi area, along Kafue Road. The property provides a secure fenced and gated residential community presently developed with 22 upmarket residential homes each with a semi-detached garage. The precinct is designed to provide about 126 high cost residential units of various types and sizes. Various facilities including a golf driving range, club house, storerooms, communal swimming pool and gymnasium will be provided. This acquisition is in line with the Group’s strategy of sectorial diversification.

Parkway Industrial Park

The Group has commenced pre-leasing of the soon to be constructed Parkway Industrial Park that will house retail and warehousing facilities on its 33,000 m² land on Kafue Road, next to the Group’s other property called Eureka Park.

Investment Property Portfolio Valuation

The fair value of our investment property portfolio increased to K859 million mainly due to completion of the redevelopment of Arcades Shopping Mall and increased occupancy levels at the Group’s other investment properties. Fair value of investment property under development was enhanced with the acquisition of Southview Park and completion of preparatory works at Parkway Industrial Park. The fair value of the Group’s property portfolio was determined as at 30 June 2018 by external independent and professional property valuers, Knight Frank Zambia Limited, who possess appropriate internationally recognised professional qualifications and have requisite experience in the location and category of the properties that were valued. Revaluation is done as at 30th June and at 31st December each year in order for the Group’s financial statements to provide reliable, relevant and up-to-date information about its financial position and performance.

INTERIM DIVIDEND

The Directors resolved not to pay an interim dividend for the year ending 31 December 2018.

The Directors will review the results for the full year and consider recommendation of a final dividend for approval by Shareholders at the Annual General Meeting (AGM) that will be held before 31 March 2019.

BY ORDER OF THE BOARD

Moses Vera
Company Secretary
Issued in Lusaka, Zambia on 11 September 2018

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